

## Message Text

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13

ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 L-03 NSC-10 SS-15 STR-08 CEA-02

RSR-01 PA-03 PRS-01 USIA-12 /140 W  
----- 026650

R 142105 Z APR 73

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7339

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMCONSUL RECIFE

LIMITED OFFICIAL USE BRASILIA 2344

DEPT PASS OPIC AND EXIMBANK

E. O. 11652: N/A

TAGS: EFIN, BR

SUBJ: GOB POLICY RE EXEMPTIONS FROM 25 PERCENT NO- INTEREST  
DEPOSIT REQUIREMENT ON FOREIGN LOANS, INCLUDING LOANS FROM  
U. S. GOVERNMENT ENTITIES

1. RECENT CONVERSATION OF OPIC OFFICIALS AT CENTRAL BANK  
CLARIFIED WHAT MAY HAVE BEEN MISUNDERSTANDING RE COMPULSORY  
DEPOSIT REQUIREMENT.

2. CENTRAL BANK DIRECTOR STATED BASIS FOR EXEMPTION IS USE  
OF FUNDS, NOT, REPEAT NOT, THEIR SOURCE. ONLY EXCEPTION IS  
PROCEEDS OF LOANS FROM INTERNATIONAL FINANCIAL INSTITUTIONS.  
THESE ARE EXEMPT LARGELY BECAUSE THEY DISBURSE SO SLOWLY,  
OFTEN OVER PERIOD OF THREE OR FOUR YEARS, AND THUS DO NOT  
REPRESENT SIGNIFICANT FACTOR IN GENERATING DOMESTIC INFLATIONARY  
PRESSURE.

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3. LOAN PROCEEDS APPLIED DIRECTLY TO IMPORTS AND NOT, REPEAT NOT, CONVERTED INTO CRUZEIROS ARE EXEMPT. FINANCIAL LOANS, I. E. LOANS INVOLVING TRANSFER OF FOREIGN EXCHANGE TO BRAZILIAN BORROWER AND SUBSEQUENT SALE TO CENTRAL BANK FOR CRUZEIROS MUST SURRENDER 25 PERCENT OF PROCEEDS TO CENTRAL BANK FOR PLACEMENT IN NON- INTEREST BEARING ACCOUNT. THIS TRUE EVEN IF FUNDS ARE LATER USED TO PURCHASE IMPORTS. TO BE EXEMPT, LOAN PROCEEDS MUST IN EFFECT BE TIED TO SPECIFIC IMPORTS. IN LATER CONVERSATION DIRECTOR OF BANK' S FOREIGN CAPITAL REGISTRATION DIVISION ( FIRCE) INDICATED THAT IT POSSIBLE TO HAVE BOTH ELEMENTS, I. E. IMPORT AND CRUZEIRO FINANCING, IN SINGLE LOAN, BUT IMPORT ELEMENT MUST BE IDENTIFIED AT TIME OF REGISTRATION.

4. EFFECT OF THIS INTERPRETATION IS THAT FINANCIAL LOANS FROM OPIC OR OTHER U. S. GOVERNMENT AGENCIES NOT, REPEAT NOT, EXEMPT FROM DEPOSIT REQUIREMENT IF THE DOLLARS ARE SOLD FOR CRUZEIROS. DIRECTOR SPECIFICALLY STATED THAT ANY LOCAL CURRENCY FINANCING MADE AVAILABLE BY EXIMBANK WOULD BE SUBJECT TO DEPOSIT REQUIREMENT.

5. DEPOSIT REQUIREMENT STILL REGARDED BY CENTRAL BANK AS TEMPORARY, BUT WILL REMAIN IN FORCE SO LONG AS INFLUX OF FOREIGN EXCHANGE IS EXERTING UNDESIRABLE INFLATIONARY PRESSURE ON DOMESTIC CREDIT SYSTEM. NO INDICATION GIVEN WHEN REQUIREMENT MAY BE REDUCED OR ELIMINATED, OTHER THAN ABOVE GENERAL PROPOSITION.

ROUNTREE

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NMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** willialc  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Errors:** n/a  
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**Previous Handling Restrictions:** n/a  
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**Subject:** GOB POLICY RE EXEMPTIONS FROM 25 PERCENT NO- INTEREST DEPOSIT REQUIREMENT ON FOREIGN LOANS, INCLUDING  
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**TAGS:** EFIN, BR  
**To:** EB  
SECSTATE WASHDC INFO RECIFE  
RIO DE JANEIRO  
SAO PAULO  
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